

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 12, 2006

APPLICATION OF

DALE SERVICE CORPORATION

CASE NO. PUE-2006-00070;

For an expedited increase in rates

ORDER FOR NOTICE AND HEARING

On May 17, 2006, Dale Service Corporation ("Dale Service" or "Company") filed a rate application, supporting testimony, and exhibits with the State Corporation Commission ("Commission") for an expedited increase in rates. The Company filed financial and operating data with its rate application for the twelve months ending December 31, 2005, seeking to increase its annual operating revenues by \$821,004, which the Company represents, is an increase of approximately 11.2% in billed sewer rates.

The proposed increase, according to the Company, is due in large measure to increased operating expenses and an abatement in connection fee collection.¹ The Company also seeks rates sufficient to maintain a debt service coverage ratio ("DSC") of 1.20. The Commission recognized the extensive financing required to fund sewage treatment projects in the Company's last rate case and general rate case, and approved rates designed to produce a DSC of 1.20 times on a going-forward basis.

¹ The Company's present rates, approved January 19, 2005, Case No. PUE-2004-00035, were set to reflect 500 new service connections annually at \$1,800 per connection. This represented an increase of 100 over the level of customer growth set in the stipulation approved in the Company's general rate case, *Application of Dale Service Corporation, For a general increase in rates*, Case No. PUE-2001-00200 (Final Order, February 21, 2003).

Dale Service also filed proposed rates designed to recover the additional operating revenues requested in its application. Under the Company's proposed rates, the rates of residential customers would increase from \$78.30 to \$87.20 per quarter, and the rates of commercial customers would increase from \$98.30 to \$111.00 per quarter. The Company further requested that its proposed increase in rates be allowed to go into effect, subject to refund, for service rendered on and after July 1, 2006.

Finally, the Company requested a waiver of the Commission's Rules Governing Utility Rate Increase Applications and Annual Informational Filings, 20 VAC 5-200-30 ("Rate Case Rules"), which require Dale Service to file a jurisdictional cost of service study in Schedule 30 and to report separately its non-jurisdictional revenues, expenses, and investments in Schedules 9, 10, 11, 15, 16, 17 and 18. According to the Company, it serves only 30 governmental non-jurisdictional customers representing approximately 0.14% of its total customer base of 21,978 customers. Since these non-jurisdictional customers have virtually no impact on the Company's jurisdictional cost of service, Dale Service requests that its application be allowed to proceed on a total company basis including both jurisdictional and non-jurisdictional operations in its cost of service.

On June 6, 2006, the Commission's Staff filed an interim report in which it concluded that there is a reasonable probability the proposed increase will be justified following a full investigation and hearing. The Staff also did not oppose the Company's request for a waiver of those Rate Case Rules that require the Company to file a cost of service study and to separate its jurisdictional and non-jurisdictional revenues, expenses, and investments when seeking rate relief. Since the inclusion of non-jurisdictional operations will have a *de minimus* impact on the

Company's jurisdictional cost of service, the Staff had no objection to allowing the Company's application to proceed on a total company basis.

NOW THE COMMISSION, having considered the Company's application and the Staff's interim report, is of the opinion and finds that this matter should be docketed; that the Company's proposed rates should be allowed to go into effect on an interim basis, subject to refund, for service rendered on and after July 1, 2006; that a waiver of the Rate Case Rules should be granted to allow the Company's application to proceed on a total company basis; that a Hearing Examiner should be assigned to conduct all further proceedings in this matter on behalf of the Commission; that a hearing should be scheduled and a procedural schedule established to consider the Company's application; and that the Company should be directed to provide public notice of its application, the hearing, and the procedural schedule established by this Order.

Section B of the Commission's Rate Case Rules permits the proposed rates of a public utility to take effect within 30 days after an application for expedited rate relief is filed, subject to investigation and refund, so long as the application complies with the rules and the utility has not experienced a substantial change in circumstances since its last general rate case. The Commission Staff's interim report found that there is a reasonable probability the proposed increase will be justified following a full investigation and hearing. We will therefore allow the Company's proposed rates, to go into effect on an interim basis, subject to refund, for service rendered on and after July 1, 2006.

We will also allow the collective waiver of each and every rule requiring separation of jurisdictional and non-jurisdictional revenues, expenses, and investments and allow Dale Service's application to proceed on a total company basis. The Company's application states that non-jurisdictional customers pay for service on the basis of Commission-approved rates and

further alleges there is virtually no impact on the Company's jurisdictional customers by establishing rates on a total company basis. Under these circumstances, we find there is no economic justification to require the Company to expend the money, time, and effort to separate jurisdictional and non-jurisdictional operations, and to file schedules separating accounting and financial data relating to non-jurisdictional operations.

Accordingly, IT IS ORDERED THAT:

(1) Dale Service may implement its proposed rates, as amended, on an interim basis, subject to refund, for service rendered on and after July 1, 2006.

(2) Dale Service is granted a waiver of each and every rule in the Commission's Rate Case Rules that requires the separation of jurisdictional and non-jurisdictional revenues, expenses, and investments, and the Company's application shall be allowed to proceed on a total company basis.

(3) As provided by § 12.1-31 of the Code of Virginia and Rule 5 VAC 5-20-120 of the Commission's Rules of Practice and Procedure, a Hearing Examiner is hereby appointed to conduct all further proceedings in this matter on behalf of the Commission and to issue a final report herein.

(4) A public hearing shall be convened before a Hearing Examiner on November 2, 2006, at 10:00 a.m., in the Commission's Courtroom, located on the Second Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, to receive comments from members of the public and to receive evidence on the captioned application. Any person not participating as a respondent as provided in Ordering Paragraph (7) below, may offer oral testimony concerning the application as a public witness at the November 2, 2006, public hearing. Public witnesses desiring to make statements at the public hearing concerning Dale Service's application need

only appear in the Commission's Second Floor Courtroom in the Tyler Building at the address set forth above prior to 9:45 a.m. on the day of the hearing and register a request to speak with the Commission's bailiff.

(5) On or before July 10, 2006, Dale Service shall file with Joel H. Peck, Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, an original and fifteen (15) copies of any additional direct testimony, exhibits, and other material supporting the captioned application and shall serve a copy of the same upon Staff and all parties of record.

(6) Upon written request received by its counsel, the Company shall provide a copy of the application to the requesting party at no cost. If acceptable to the requesting individual, the Company may provide the application, with or without attachments, by electronic means. Written requests for a copy of the application shall be directed to Richard D. Gary, Esquire, or Charlotte P. McAfee, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074. Interested persons may also review a copy of the application, the Commission's Order for Notice and Hearing, and other Orders entered herein at the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday. Interested persons may also access unofficial copies of Dale Service's application through the Commission's Document Search Portal at <http://www.scc.virginia.gov/caseinfo.htm>.

(7) Any interested person desiring to cross-examine witnesses or participate as a party in this proceeding shall participate as a respondent and shall file, on or before August 10, 2006, an original and fifteen (15) copies of a notice of participation with the Clerk of the Commission at

the address set out in Ordering Paragraph (5) above. A respondent shall, on or before August 10, 2006, serve a copy of the notice of participation on counsel to the Company, Richard D. Gary, Esquire, and Charlotte P. McAfee, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074. Pursuant to Rule 5 VAC 5-20-80, any notice of participation shall set forth (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Respondents shall refer in all of their filed papers to Case No. PUE-2006-00070.

(8) Within five (5) business days of receipt of a notice of participation, the Company shall serve upon each respondent a copy of this Order, a copy of the application, and all materials filed by the Company with the Commission, unless these materials have already been provided to the respondent.

(9) On or before August 10, 2006, each respondent shall file with the Clerk of the Commission an original and fifteen (15) copies of any testimony and exhibits by which it expects to establish its case and shall serve copies of the testimony and exhibits on counsel to the company and all other respondents. The respondent shall comply with Rules 5 VAC 5-20-140, 5 VAC 5-20-150, and 5 VAC 5-20-240 of the Commission's Rules of Practice and Procedure.

(10) On or before August 10, 2006, any interested person wishing to comment on Dale Service's application, but not wishing to participate as a respondent pursuant to Ordering Paragraph (7) herein, shall file an original and fifteen (15) copies of such written comments with the Clerk of the Commission at the address set forth in Ordering Paragraph (5) herein and shall refer to Case No. PUE-2006-00070. A copy of such comments shall be mailed or hand-delivered to Richard D. Gary, Esquire, and Charlotte P. McAfee, at the address set out in Ordering

Paragraph (7) herein on or before August 10, 2006. Interested parties desiring to submit comments electronically may do so by following the instructions available at the Commission's website: <http://www.scc.virginia.gov/caseinfo.htm>.

(11) The Commission Staff shall investigate the captioned application. On or before October 5, 2006, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of the Staff's testimony and exhibits regarding the captioned application and shall promptly serve a copy of said testimony and exhibits on counsel to the Company and all respondents.

(12) On or before October 26, 2006, Dale Service shall file with the Clerk of the Commission an original and fifteen (15) copies of any rebuttal testimony, exhibits, and documents that the Company expects to offer in rebuttal to the testimony and exhibits of the respondents and the Commission Staff and shall on the same day serve one (1) copy of the rebuttal testimony and exhibits on Staff and all respondents.

(13) The Company and respondents shall respond to interrogatories and requests for the production of documents and things within seven (7) calendar days after receipt of the same. Except as modified above, discovery shall be in accordance with Part IV of the Commission's Rules of Practice and Procedure.

(14) On or before July 12, 2006, Dale Service shall complete the publication of the following notice and display advertising (not classified) on two occasions in newspapers of general circulation throughout Dale Service's service territory within the Commonwealth of Virginia:

NOTICE TO THE PUBLIC OF AN APPLICATION
FOR AN EXPEDITED INCREASE IN RATES BY
DALE SERVICE CORPORATION
CASE NO. PUE-2006-00070

On May 17, 2006, Dale Service Corporation ("Dale Service" or "Company") filed an application with the State Corporation Commission ("Commission") for an expedited increase in rates. The Company filed financial and operating data for the twelve months ending December 31, 2005, with the rate application and seeks to increase its annual operating revenues by \$821,004, an increase that the Company represents is approximately 11.2% of billed sewer rates. The Company states the additional revenues are necessary because of increased operating expenses and to maintain the Company's debt service coverage ratio of 1.20 times and to account for the present abatement to growth in new service connections.

Dale Service's current and proposed rates are as follows:

| <u>Class</u> | <u>Rate Per Quarter</u> | |
|--------------|-------------------------|-----------------|
| | <u>Present</u> | <u>Proposed</u> |
| Residential | \$78.30 | \$87.20 |
| Commercial | \$98.30 | \$111.00 |

Pursuant to § 56-240 of the Code of Virginia, the Commission has authorized the Company to put its proposed rates in effect on an interim basis, subject to refund with interest, for service rendered on and after July 1, 2006. Interested parties should be advised that, after considering all the evidence, the Commission may approve revenues and adopt rates that differ from those appearing in Dale Service's application or may apportion revenues and design rates in a manner differing from that found in the Company's application.

A public hearing on Dale Service's application is scheduled to be convened on November 2, 2006, at 10:00 a.m., before a Hearing Examiner in the Commission's Second Floor Courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219. Individuals with disabilities who require an accommodation to participate in the hearing should contact the

Commission at least seven (7) days before the scheduled hearing at 1-800-552-7945 (voice) or 1-804-371-9206 (TDD).

Interested persons may review a copy of Dale Service's application and the Commission's Order for Notice and Hearing in the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday. A copy of the application may also be obtained at no cost to interested persons by requesting the same from counsel for the Company, Richard D. Gary, Esquire, or Charlotte P. McAfee, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074. Interested persons may also access unofficial copies of the application through the Commission's Document Search Portal at <http://www.scc.virginia.gov/caseinfo.htm>. Dale Service may make a copy of its application and accompanying materials available on an electronic basis upon request.

On or before August 10, 2006, interested persons who want to participate fully in the proceeding as respondents in order to be parties to the proceeding and to cross-examine witnesses must file an original and fifteen (15) copies of a notice of participation pursuant to Rule 5 VAC 5-20-80 B of the Commission's Rules of Practice and Procedure with the Clerk of the Commission at the address set forth below. A respondent shall serve a copy of its notice of participation upon counsel to the Company at the address set forth above on or before August 10, 2006. Any notice of participation shall set forth (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action.

On or before August 10, 2006, each respondent shall file with the Clerk of the Commission at the address set forth below an original and fifteen (15) copies of the testimony and exhibits the respondent intends to offer in support of its notice of participation and shall, on the same day, serve one (1) copy of such testimony and exhibits on counsel to the Company and on all other respondents. The respondents shall comply with Rules 5 VAC 5-20-140, 5 VAC 5-20-150, and 5 VAC 5-20-240 of the Commission's Rules of Practice and Procedure.

On or before August 10, 2006, any person wishing to comment on Dale Service's application shall file an original and fifteen (15) copies of written comments with the Clerk of the

Commission at the address set forth below and shall, on the same day, serve a copy of any such filed papers on counsel to the Company at the address set forth above.

Interested persons desiring to submit comments electronically may do so by August 10, 2006, by following the instructions available at the Commission's website: <http://www.scc.virginia.gov/caseinfo.htm> and referring to Case No. PUE-2006-00070.

Interested parties shall refer in all of their filed papers to Case No. PUE-2006-00070. All comments, notices of participation, or testimony shall be filed with Joel H. Peck, Clerk State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, and shall be simultaneously served on counsel for the Company, Richard D. Gary, Esquire, and Charlotte P. McAfee, Esquire, at the address set forth above. The unofficial text of the Commission's Order for Notice and Hearing, any other Order entered herein, and the Commission's Rules of Practice and Procedure, as well as other information concerning the Commission and the statutes it administers, may be viewed on the Commission's website at <http://www.scc.virginia.gov/caseinfo.htm>.

DALE SERVICE CORPORATION

(16) On or before July 10, 2006, the Company shall serve a copy of the Order for Notice and Hearing by personal delivery or by first-class mail, postage prepaid, to the Chairman of the Board of Supervisors and County Attorney of each county and upon the Mayor or Manager of every city and town (or upon equivalent officials in counties, towns, and cities having alternative forms of government) in which the Company provides service. Service shall be made by first-class mail to the customary place of business or residence of the person served.

(17) On or before August 2, 2006, Dale Service shall file with the Clerk of the Commission proof of the publication and service required in Ordering Paragraphs (15) and (16) herein.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:

Richard D. Gary, Esquire, and Charlotte P. McAfee, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074; C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 900 East Main Street, Second Floor, Richmond, Virginia 23219; and to the Commission's Office of General Counsel and Divisions of Public Utility Accounting, Energy Regulation, Economics and Finance, and Utility and Railroad Safety.